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HOW TO SET UP AND RUN A RETAIL BUSINESS

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SETTING UP AND RUNNING A RETAIL BUSINESS

If you have picked up this guide, the chances are you will have more than a passing interest in setting up a business in retailing. It could be that you have been dreaming about opening a shop specialising in your favourite products, or you could be someone who is curious about 'retail' and would like to do something different with your life. Whatever your motivation, this mini-guide will give you tips, advice and an idea of the different options available to you in setting up as a retailer and what you might need to support your ambitions.



WHAT IS RETAIL?

Retail is defined as 'the sale of goods individually or in small quantities to the public'. An individual or a business which does this is a 'retailer'. A retailer buys goods from manufacturers, importers or other retailers, either directly or through a wholesaler, and then sells them on. This is usually done through a shop premises, but selling through a website is another way of reaching customers.

'Goods' sold will either be a 'product' or a 'service'. Retailers that sell products are providing customers with items they can feel or touch such as shoes, stationery or cars. Services cannot be seen or touched - selling a service usually involves the customer being helped by another person in some way. In recent years omni-channel retail (M-Commerce (mobile) and S-Commerce (social-media) are the fastest growing parts of E-commerce. The fastest part of all retail growth at the moment is "click n collect". Retail can involve very long hours, it is ultra-competitive and fast paced. It is a people led industry ... if you don't get on with people, don't be a retailer! Retail is the largest industry in the world and more people work in it than any other industry or organisation.

Depending on your interests, and how much money you have or are able to borrow, you have a number of different choices in your approach to setting up a retail business. You could for example buy an existing retail business already established by somebody else. Alternatively you could buy into a franchise. Franchises operate like a chain of similar shops - McDonalds and Starbucks are examples. The retailer secures premises, pays a fee to the franchisor for selling their goods and then takes some of the profit. The most common method of starting a retail business, and the one that is mainly covered in this guide, is to set up from scratch.

CHECKPOINT:

For more information on franchising, contact the British Franchising association (www.bfa.org) or The Growth Hub.



OPENING UP YOUR OWN SHOP

When you start trading you might face stiff competition from major store chains (that might be able to beat you on price) so you will need to be able to find a niche – in location and product – that distinguishes what you are offering in some way. Renting or buying a shop can be expensive, and might mean that there will be more money going out of the business than there is coming in, particularly in the period when you are trying to establish yourself. However having premises means that your customers have a place where they can come and view products, test the quality and ask your advice. It also provides you with the opportunity to talk to them and find out more about their needs. Being able to have face-to-face contact can provide a greater understanding of their preferences and their future requirements. Footfall is very important so it may be worth considering paying more in order to enjoy the shopper volume that will be required for the business to flourish.

What are the building blocks for setting up an independent retail enterprise successfully? There are some fundamental factors to think about if you're to stand a fighting chance.

LOCATION: ARE THE 'RIGHT' SHOPPERS IN THE AREA?

From the outset the single most important element is location. It's common sense but surprising how frequently independent retailers overlook the basics. When looking at where to rent a unit don't make assumptions about the local demographic. Putting cans of car engine oil on the shelves of a store in an area with very low per capita car ownership is unlikely to reap ready rewards. Equally, when it comes to fashion, towns and districts that have a more mature population are not going to favour teenwear, for example.

LOCATION: CAN YOU STANDOUT, OR WILL YOU BE ONE OF MANY?

Make sure you check out the local competition. If there are three other shops like the one you are proposing, think again. Research about an area can be as simple as having a coffee at different times of day in a local café a couple of times a week for several weeks. Do this and the chances are good that you'll understand the shoppers in an area and whether they'll want what you intend to offer.



LOCATION: COST VERSUS FOOTFALL

There is also the tension between rental cost and footfall. It's an inconvenient truth that shops with the highest number of people passing in front of them will be the most costly from which to operate. Yet sometimes, and particularly if a retailer operates at the lower end of the price scale, it may be worth paying more in order to enjoy the shopper volume that will be required for the business to flourish.

SHOP SIZE: CAN YOU AFFORD TO HAVE A MEANINGFUL OFFER IN YOUR CHOSEN UNIT?

Another element is the size of unit. A large shop needs a certain minimum stock level if it is not to feel like a ballroom. Space in a store generally carries connotations of luxury, but too much space and it can feel as if a shop is under-stocked.

FIT-OUT: A GOOD IDEA IS ALWAYS BETTER THAN EXPENSIVE SHOP EQUIPMENT.

Once all the location boxes are ticked and stock can be afforded, what else is vital? The answer is 'fit-out'. Just buying a few fixtures and some second-hand mannequins may seem like the right thing, but unless all of the parts equate to a themed whole, then you may not attract the customers you need. Sometimes rough and ready, when set against carefully crafted stock can make for an interesting juxtaposition. There's more to store design and layout than just ensuring everything has a place. Shoppers need to feel a sense of difference and that they are welcome. Don't forget that lighting can be the difference between very good and less so.

Think of an in-store theme and run with it...

NAME YOUR SHOP... THIS IS YOUR BRAND.

Finally, time spent thinking about what your new venture might be called is essential. The name above a shop door is part of your brand and if this isn't instantly recognisable, retail oblivion may await.

Your own name may not be enough...

TRADING ON-LINE

Going into ecommerce can be a daunting prospect for independent retailers. But, thanks to small businesses speed and agility, they have the opportunity to out-manoeuvre their larger counterparts. Trading on-line allows you to start your business from home and grow in line with increased customer demand. A website can be a powerful marketing tool that can attract clients, increase sales and help 'spread the word'. If customers can order from your online shop, you may not need a physical shop space but if you do it can provide an excellent draw to your premises. There is a lot to consider. Here are some things to think about to help you successfully trade online:

THE CUSTOMER CONVENIENCE PROPOSITION

Think about what you want to sell, what your average order values may be and what your potential competitors do. Also think about what delivery and returns options you will offer.

Product Range

The web provides the opportunity to offer different products. You might decide to go down the long tail route and extend the range by offering more options that you don't sell instore.

Click And Collect

This is one of the fastest growing areas in retail. You'll convert more customers, and you'll be able to sell them more products when they come into your shop/collection point to pick up.

Supply Chain

Continuity of supply is absolutely crucial. So you need to know that you can replenish stock fast.

CUSTOMER SERVICE

Some web customers will want to call you before and after making a purchase. So you need to be prepared for the potential of getting more calls into your business that will take time to deal with. The most important thing to think about is the customer. What can you do to optimise everything you do to meet customer needs? It's cheaper to retain customers than acquire new ones. You should think about how you can build a lasting relationship with your customers so that you enjoy multiple purchases from them over the course of the year

TECHNOLOGY

You need a web platform. The technology behind the front-end customer experience driving the functionality of the website. You need something that will interface with, and talk to, your existing technology, which in turn will enable you to do things like click and collect, and manage stock, customer orders and content.



SITE DESIGN

You will need someone to design the front end of the website and build out your ecommerce proposition. That creative site design will guide the technology company that will build your platform. Make sure that your site is fully optimised for mobile devices including smartphones and tablets.

HOSTING AND DOMAIN REGISTRATION

The website needs to be hosted somewhere. Your web developer will be able to help with this. Make sure you check the domain name availability for your website. There's no point in coming up with a name that isn't available. You can acquire this from a range of domain name registration companies online.

CONTENT

You will need to produce content for your website. You may already have produced visual merchandising and point of sale material for your business. You will need product, lifestyle and brand related images, along with product descriptions and static, customer service related content, including terms and conditions and frequently asked questions. Make sure that you take advice and think about how the content will influence your search engine ranking.

ON-LINE RETAIL PLATFORMS

eBay is just one example of an online auction and shopping website in which people and businesses buy and sell a broad variety of goods and services worldwide. You post the information of the item(s) you are trying to sell and wait for a response from buyers. The auctions usually have a buying time limit on them. Etsy (<https://www.etsy.com>) and Not on the High Street (<https://www.notonthehighstreet.com>) are other examples of popular platforms.

You can start with little money by selling household items that you no longer need, just to get the hang of it. These retail platforms usually take a cut of whatever you sell but there are no costs, so all the money you make is profit. As online trading this way has gained in popularity so has the competition to sell. This has meant that profits for certain items have decreased because customers can shop around. Also there is no guarantee that what you put up for sale will sell. The biggest cost can be the time and effort you put in, sometimes for little or no return.



MATCHING YOUR RETAIL OPTIONS TO YOUR PRODUCT

Now is the time to start weighing the 'pros and cons' of the different items you have would like to sell and select the most appropriate retail option for reaching your customers. This will involve some market research. Customer and market knowledge are absolutely essential requirements. It is important to take the time to test your retail idea. Most retail businesses fail because they use guesswork. Use facts, data and knowledge to inform your decision making. That will make the difference between success and failure in your retail business.

Market research can be as involved as sending out questionnaires, conducting surveys and interviewing people. It can also be as simple as chatting to people (family

and friends, or even people in the street) about their spending habits, or visiting a high street location at different times of day to watch the numbers of potential customers. Thinking you have a niche product or service is one thing, proving it is another. Do some checking. Are there going to be enough people, in sufficient numbers who are likely to purchase from you? Can you find out what the size and demographic (statistical data of a population showing average age, income, education, etc.) is of the people who are buying? How much competition is there?

As you gather information it will become more and more obvious what the best retail option is for you to reach your customers.

RETAIL BUSINESS CHECKLIST



IS THERE DEMAND FOR THE PRODUCT AND FROM WHOM?

See the section on matching your retail options to your product. Remember, the more market research you do the better you will be able to answer this question.

HOW WILL YOU SELL TO YOUR CUSTOMERS?

Market research will tell you where and how your customers prefer to make their purchases. If they tend to go to markets for products like yours rather than shops, being a market trader is more likely to bring you the sales.

WHERE WILL YOU SOURCE PRODUCTS?

Think carefully about the stock you want to purchase and why. Market research will have helped you with this. The best retailers are good at providing a well-edited selection of products that customers can rely on. You can use Internet searches and trade magazines to find the most appropriate new merchandise. Some suppliers might want exclusive deals with you – they might even want to help you out with the promotion work.

CAN YOU MAKE ENOUGH OF A MARK-UP?

Mark-up is the difference between the price you paid for your goods and what you sell them for. When you take into account all other costs (higher if you run a shop, lower if you are selling on an on-line platform, you can calculate how much profit you are likely to make. You will need to work out these figures as part of an initial business plan. If this seems complicated, contact the Growth Hub to obtain additional advice.

Have You Got Great Sales Skills?

This maybe easier to answer if you have sold anything successfully in the in the past. The Launchpad might be able to help you with some selling skills courses. On a basic level, the starting point is your passion for what you are selling. Believing in your products or service is half the battle. Also being a good listener, to be able to take in what a customer is saying and respond accordingly, and offering a range of buying options, will help you sell.

WHAT IS YOUR COMPANY NAME/BRAND?

You may choose your own name as part of the company title - other companies choose to use something more descriptive of what is on offer. For example, 'Kwikfit' tells us that we should expect quick service. Again your market research will be the best indicator of what customers are looking for - are they after 'convenience'? Do they prefer 'speedy delivery'? Is 'quality' the most important thing on their minds? If any of these factors are important consider how it could be included in the name of your company.

HAVE YOU CHECKED YOUR LICENCE REQUIREMENTS?

Certain business activities are governed by licencing arrangements. For example, to be a market trader you must obtain a licence from the local council. If you run a shop that sells alcohol, you will need a personal licence and a licence for the premises where the alcohol is sold. All local councils have licencing departments. Check with them to find out whether your business needs a licence.

HAVE YOU CHECKED YOUR LEGAL REQUIREMENTS?

Health and Safety

The Health and Safety Work Act (1974) was written to ensure that employers look after the health and safety of their staff as far as is 'reasonably practical'. Every company has to have an H&S policy, and if you have over five employees it should be written down. For more detail on how the law would be applicable to your business, visit www.healthyworkinglives.com/advice/Legislation-and-policy/Workplace-Health-and-Safety/health-safety-legislation

Will you employ people?

Employing people should be based on the need of your business and whether the sales you expect to make could support the wages of additional staff members. Employment practices are governed by a range of laws covering pay, pensions, working conditions and general treatment at work. Do not worry – all are straightforward, but you will need to find out what applies to you.

Insurance

Your insurance will be dependent on the type of stock you have and the area where your premises are located. The more valuable your stock, the greater the need for additional risk measures. If you are going to have premises visited by the general public you will need public liability insurance to cover you in case of customer accidents. Employers' liability insurance will be needed if you employ staff. This covers claims arising from accidents or sickness, either on or off site, made by the employee. Any vehicle you use for work will have to be insured. You must make the insurer aware that you are using your vehicle for work purposes, as you may not be covered for an accident occurring in work time. An accountant or solicitor can give you more in-depth advice on all your insurance requirements. These are just some of the regulations you will need to comply with.



CREATING YOUR SUPPORT NETWORK

Anybody starting out in business can find the challenge as daunting as it is exciting. In considering what you might need in terms of money, premises and skills it is easy to overlook another important resource - the people in your life who can offer support. Support can come from many sources but a good way to decide what you will require is to consider both your EMOTIONAL and PRACTICAL needs. Emotional support refers to those who can help you when you might be feeling down, stressed or have a dip in confidence. Practical support refers to specific business skills such as bookkeeping or using computer programmes where someone can help out and/or pass on the required skills. Family and friends are often the main source of both types of support. Use the table opposite to make a list of the types of support (emotional and practical) that you think you might need and the people in your life that can help you. Some of the material earlier in the guide might help you reflect on what you have in your skill set and what you might require from elsewhere.

You probably have a far larger support network than you first envisaged. To prove the point, consider any clubs or groups that you are part of. Also consider people you see on a daily basis that you know or chat to – perhaps a postman, or a shopkeeper. Now look again at the list of family and friends, and consider their acquaintances and people they know. Also think about organisations that might be able to offer practical support such as the Growth Hub. Add these to the table and see whether any of these can help with what you are missing. It’s worth trying to spend more time with some of these groups and individuals to explain what you need – if they can’t help you, they might know somebody, or some other group, who can.

PRACTICAL

Names of individual(s):

type of support:

EMOTIONAL

Names of individual(s):

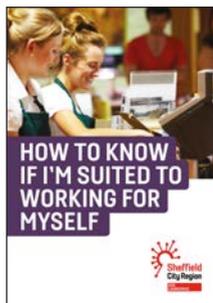
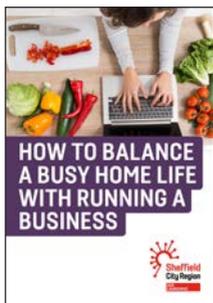
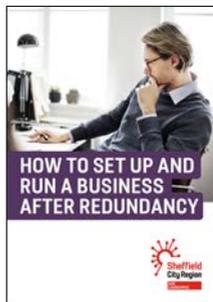
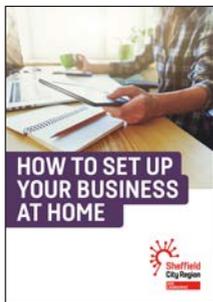
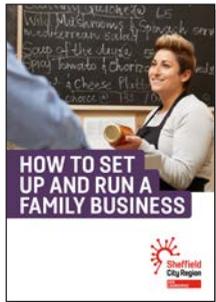
Type of support:

NOW ADD TO THE LIST THE KINDS OF SUPPORT THAT STILL MIGHT BE USEFUL TO YOU THAT CANNOT BE ACCESSED THROUGH FAMILY AND FRIENDS. WHAT CAN YOU DO ABOUT THIS?

You probably have a far larger support network than you first envisaged. To prove the point, consider any clubs or groups that you are part of. Also consider people you see on a daily basis that you know or chat to, perhaps a postman, or a shopkeeper. Now look again at the list of family and friends, and consider their acquaintances and people they know. Also think about organisations that might be able to offer practical support. Add these to the table and see whether any of these can help with what you are missing. It’s worth trying to spend more time with some of these groups and individuals to explain what you need. If they can’t help you, they might know somebody, or some other group, who can.

OTHER TITLES IN THIS SERIES...

- How to... understand if I'm suited to working for myself
- How to... balance a busy home life with running a business
- How to... manage the move from employment to self employment
- How to... set up and run a retail business
- How to... increase self-confidence and self-belief for starting up in business
- How to... set up and run a business after redundancy
- How to... set up and run a family business
- How to... set up and run a business if you are new to doing business in the UK
- How to... set up and run a business when you have been out of the job market



USEFUL RESOURCES

To find out more about legal, financial or general information about starting a business from home contact us:

SCR Growth Hub **03330 00 00 39** or growthhub@sheffieldcityregion.org.uk
Visit our website for useful information on starting up or running a business and to watch video case studies of how other businesses have overcome different barriers to make their business a success.

DISCLAIMER

This information is intended to give an overview and introduction to the subject. Any legal information is provided for guidance only and should not be regarded as an authoritative statement of the law. Sheffield City Region Growth Hub cannot be held responsible for any actions taken as a result of this guide.